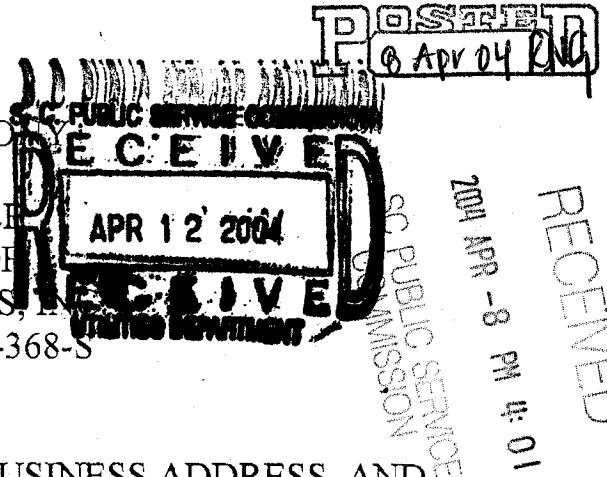


DIRECT TESTIMONY
OF
TRACEY Q. LEE
ON BEHALF OF
MADERA UTILITIES, INC.
DOCKET NO. 2003-368-S



Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Tracey Q. Lee, and my business address is 111 N. Marlboro Street, Bennettsville, South Carolina. I am a Certified Public Accountant.

Q. WHAT IS THE RELATIONSHIP BETWEEN YOU AND MADERA UTILITIES, INC.?

A. I provide accounting services for Madera Utilities, Inc.

Q. ARE YOU FAMILIAR WITH MADERA UTILITIES, INC.'S APPLICATION FOR ADJUSTED RATES AND CHARGES IN THIS PROCEEDING?

A. Yes. I assisted in the preparation of certain portions of the application. Specifically, I was responsible for the preparation of Exhibits B, C, D, and E of that application.

Q. WHAT ARE THE OPERATING RESULTS CONTAINED IN Exhibit C?

A. Based upon operations of Madera Utilities, Inc. for the twelve months ending December 31, 2002, the Company had operating revenues of \$22,160 and operating expenses of \$22,114 for an

RETURN DATE: OK RNG
SERVICE: OK RNG

operating margin of 1% and a net income of \$46.

Q. WHAT IS THE EFFECT OF MADERA UTILITIES, INC.'S PROPOSED RATES AND CHARGES?

A. The proposed rates and charges would produce additional operating of \$77,840. As a consequence, Madera Utilities, Inc.'s total operating revenues would be \$100,000, which would produce an operating margin of .019%.

EXHIBIT B

MADERA UTILITIES, INC.

Statement of Revenues and Expenses - Income Tax Basis

Year ended December 31, 2002

Revenues

Income from customers	22,160
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Expenses

Chemicals	2,138
Repairs and Maintenance	2,695
Taxes and Licenses	831
Professional fees	454
Bank charges	16
Contract services	10,250
Lab costs	1,846
Misc. expense	231
Postage	161
Utilities and Telephone	<u>3,492</u>

Total expenses	<u>(22,114)</u>
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Total revenue over expenses	<u>46</u>
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See Accountant's Compilation Report

Exhibit C

MADERA UTILITIES, INC.

Pro-Forma Statement of Revenues and Expenses – Income Tax Basis

Year ended December 31, 2002

	<u>Per Books</u>	<u>Effect of Proposed Increase</u>	<u>After Increase</u>
Revenues			
Income from customers	<u>22,160</u>	<u>77,840</u>	<u>100,000</u>
Expenses			
Chemicals	2,138		2,138
Repairs and Maintenance	2,695	2,305	5,000
Taxes and Licenses	831		831
Professional fees	454	346	800
Bank charges	16		16
Contract services	10,250		10,250
Lab costs	1,846		1,846
Misc. expense	231		231
Postage	161		161
Utilities and Telephone	3,492		3,492
Attorney's fees payable		6,072	6,072
Mortgage payments –			
Proposed improvements		31,796	31,796
Bill collection fee increase		6,048	6,048
Management fees – arrears		11,355	11,355
Management fees – current		<u>18,000</u>	<u>18,000</u>
Total expenses	<u>22,114</u>	<u>75,922</u>	<u>98,036</u>
Total revenue over expenses	46	<u>1,918</u>	<u>1,964</u>

MADERA UTILITIES, INC.

Explanation of Proposed Increase

December 31, 2002

- (1) A proposed rate increase of \$ 57.92 per month would generate gross revenue of approximately \$ 77,840.00.

$$112 \text{ customers} \times \$ 57.82 \times 12 \text{ months} = 77,844.48$$

- (2) Repairs and maintenance expense is expected to continue to increase as the assets age.
- (3) Professional fees increased for costs incurred to file with the Public Service Commission.
- (4) Attorney's fees – this amount is currently due but has not been paid as cash has not been available with current cash flow. The corporation is a cash basis entity.
- (5) Two mortgage loans will be necessary to perform upgrades on the system as required by the Department of Health and Environmental Control and rebuilding and modernization of the system that is 25 years old. The loans are expected to be in the amounts of \$134,000.00 and \$180,000.00. Payments of these loans were calculated for 15 years at a rate of 6%.
- (6) Bill collection fees are expected to increase from \$1.00 per bill to \$5.50 per bill.
- $$112 \text{ customers} \times \$4.50 \times 12 \text{ months} = \$6,048.00$$
- (7) Management fees – this amount is currently due but has not been paid as cash has not been available with current cash flow.
- (8) Management fees – amount due for current year.

EXHIBIT D

MADERA UTILITIES, INC.

Statement of Assets, Liabilities, and Equity – Income Tax Basis

December 31, 2002

ASSETS

CURRENT ASSETS

Cash	\$ 1,830
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FIXED ASSETS

Lagoons	30,000
Tanks and Wells	18,500
Water and Sewer Lines	72,585
Equipment	<u>25,939</u>

Less accumulated depreciation	<u>(147,024)</u>	-0-
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Land	<u>800</u>
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TOTAL ASSETS	<u>2,630</u>
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LIABILITIES AND EQUITY

LIABILITIES

Loans from Shareholders	\$ 10,920
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EQUITY

Capital Stock	2,000	
Retained earnings	<u>(10,290)</u>	<u>(8,290)</u>

TOTAL LIABILITIES AND EQUITY	<u>2,630</u>
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See Accountant's Compilation Report

EXHIBIT E

MADERA UTILITIES, INC.FIXED ASSETS AND DEPRECIATIONYEAR ENDING DECEMBER 31, 2002

The lagoon and lines at the Heatherwood system are not owned by Madera Utilities, Inc. and therefore not depreciated. The equipment and personal property at the Heatherwood system has been fully depreciated since the acquisition of the right to operate the system in 1987 by Madera Utilities.